

Indiana Utility Regulatory Commission

New Customer Service Rights and Responsibilities

Proposed Rulemaking
#04-02

Comments of Midwest Natural Gas Corporation

In July 2004, the Indiana Utility Regulatory Commission ("Commission") issued a Notice of Proposed Rulemaking to add, amend, and repeal various sections of the Indiana Administrative Code as they pertain to customer service rights and responsibilities for all regulated utilities. Midwest Natural Gas Corporation ("Midwest") hereby submits the following comments regarding the proposed changes.

General

Midwest operates a natural gas distribution system in southwestern and south central Indiana. The system serves approximately 15,000 customers, and therefore, certainly falls under the definition of small local distribution company ("LDC"). Comments made herein will be made from the standpoint of a natural gas utility, and where appropriate, from the perspective unique to smaller LDC's.

Creditworthiness

170 IAC 5-1.2-3

While Midwest agrees with the general proposition that creditworthiness should not be based on stereotypical opinions, Midwest believes it is still appropriate to consider the factual history of other individuals residing in the residence, particularly those of a spousal-type relationship. It is common for spouses or other family members to request new service in their name when an outstanding balance remains in the name of their spouse at such residence or a prior residence. We believe such facts should be allowed to be considered in the context of creditworthiness and deposits.

170 IAC 5-1.2-3

Many, if not all, of the smaller companies do not use a credit service that provides a credit score. Midwest proposes flexibility in this area that provides for current practices to continue.

Deposits

170 IAC 5-1.2-4

The level of deposit is of great importance to Midwest. Although having the same rules for determining a deposit for all utilities may be easier for the Commission to administer, it does not reflect the actual consumption patterns of the different utility segments. It is likely that telephone, water and sewer utilities see consistent patterns of usage throughout the year. It is possible that electric consumption patterns would have less severe seasonal consumption swings. Natural gas consumption, however, does not provide the same level of stability in monthly consumption throughout a calendar year.

Approximately 70-75% of residential sales of natural gas occur in the four months of December through March. January and February combined would approximate 45%. This period of time obviously represents the highest level of risk for the utility. Not only are customers increasing their consumption, but the risk level is exacerbated by the utility postponing disconnect activity until temperatures rise to a level where daily low temperatures exceed freezing. Such postponement many times delays disconnects for several days, if not weeks. With that in mind, it would not be uncommon to have 75 to 80 days of consumption built up before a customer would actually be disconnected for non-pay reasons. Using one-sixth deposit levels creates a financial exposure where the customer deposit represents 16.67% of expected annual usage but is designed to cover forty-five to fifty percent of actual charges billed during winter months. Thus, a one-sixth deposit does not provide a reasonable safeguard against non-payment.

A sample of Midwest customers, reviewed last spring for non-pay situations, reflects that balances remaining at the time of disconnect were 3.46 times the dollar amount a one-sixth deposit would represent. This sample suggests that, in many cases, the current one-third deposit is insufficient. Midwest is not suggesting that the level of deposit should not be reviewed for possible changes, only that there is sufficient information that indicates that a one-sixth deposit will create disproportionate financial impact for natural gas utilities and therefore the proposed rule should not be applied to natural gas utilities.

In this same section, the proposed rules indicate changes in required payment arrangements. The proposal of spreading deposits greater than \$150 over no fewer than three months would create a significant administrative burden for small LDC's. First, Midwest believes that the provision for equal installments would create a higher level of uncollectible accounts. Second, small LDC customer systems lack the sophistication and personnel to track multiple payments of deposit amounts. Midwest currently tracks deposit payments manually for new customers where the deposit exceeds \$70. It is difficult to perform this process on the few that are currently in place. The proposal as it is currently written would create a logistics burden that borders on the impossible without a substantial system upgrade and personnel additions.

Deposit Interest

170 IAC 5-1.2-4

Small LDC customer information systems typically do not have the same level of detail as that of the larger utility. In short, there are significant differences in the capabilities of a system purchased by a large utility spending millions and a system purchased by small LDC's for \$45,000.

Under Midwest's current system, it is not possible to track multiple interest rates applying to the same customer. In addition, it is not possible to begin the accrual of interest on a deposit that is paid in installments. Therefore, we would encourage any changes to deposit interest include a beginning accrual date as of the day when the deposit is paid in full.

Disconnection

170 IAC 5-1.2-5

Midwest proposes to add a condition for disconnect when a customer fails to fulfill the terms of a deposit payment agreement.

Payment Arrangements and Reconnection of Service

170 IAC 5-1.2-6

Midwest personnel are instructed to work with customers to keep service on. Payment agreements are based on the capabilities of the customer, as it is non-productive to ask for terms that are not possible to be fulfilled by the customer. Unfortunately, not all customers fulfill payment agreements. This situation takes on a very different dimension once disconnection occurs. We recognize that it is in the best interest of both the utility and customer to do all that is possible to retain service. But in these situations where disconnection is likely, the current Rules allow the utility to advise a customer that following disconnection, full payment of unpaid balances will be required before reconnection. This proposition often allows resolution prior to disconnection. The proposed rules would eliminate this tool, which we believe will lead to more disconnect situations.

In addition to changing the relationship by not requiring full payment of a past-due balance, it seems that the burden on the customer for future payments has been increased by the proposed rule. It is unlikely that a customer will keep pace on payment in winter months of their current bills, pay the prior year balance, and fund a deposit. The current rule of paying off all outstanding balances as part of an agreement for reconnection allows the customer and utility to maintain a reasonable relationship that benefits both.

A utility is typically not in a position to determine “just cause” for an inability to pay. Often, service personnel have little more than the customer’s brief statement. There is certainly a reluctance to share personal financial data with a utility representative. Beyond that, there is even less of a chance to verify the information’s accuracy.

The proposed rules of this section call for a survey of customers disconnected since the previous December 1. Once again, Midwest believes this to be a significant administrative burden, and particularly so for smaller LDC’s.

Small LDC Exemption

The additions and amendments proposed would require significant changes in personnel, customer information systems, tracking of information, and the way small LDC’s conduct collection of past-due balances. The administrative burden, as well as the increase in bad debts is no small matter. Small LDC’s are unlikely to be able to meet the requirements without significant investment in system upgrades and personnel additions.

Small LDC’s are situated uniquely to serve the needs of their customers. Instead of using a call center with 100s of employees located out of state from the customer, Midwest has the same few office staff handling every customer call. They are more familiar with the areas served and, in many cases know, or

know of, the customer. Midwest believes that the smaller size of utility lends itself to a level of customization that currently serves customers well.

With these thoughts in mind, we would encourage the Commission to consider an exemption from these rules for small natural gas utilities serving fewer than 50,000 customers.

Conclusion

Midwest understands and agrees with the need to complete a comprehensive review of customer service rules ensuring that Indiana ratepayers are provided with a high level of quality service. It is certainly not an easy task to strike that delicate balance that allows quality service, meeting the needs of our less fortunate citizens, but also providing adequate protection that our timely paying customers will not bear a disproportionate share of additional bad debt costs.

Considering the need to balance, it should also be recognized that there is no suggestion in the proposed rules that customers are absolved of the requirement to pay their billed charges and cover their cost of service. Such recognition as amendments to the rules are considered, should help prevent the amendments from creating an unintended consequence of a larger burden for customers to bear.

Finally, it is appropriate to note that it has been Midwest's experience that providing a format that allows for open, honest discussion of proposed changes best serves everyone. Information and ideas can often be more easily understood by all parties within the context of a workshop setting. Midwest would therefore encourage the initiation of a workshop process for these proposed rules prior to any final decisions.